

FY08 High Need Fund (HNF) Policy Manual

FOR SERVICES PROVIDED DURING THE 2006-07 SCHOOL YEAR

Missouri High Cost Fund Policy (IDEA 300.704 (c))

The High Need Fund was established pursuant to Section 162.974, RSMo, to provide funding support for districts with “High Need Students.” These students are special education students whose educational costs exceed three times (3x) the district’s current expenditure per Average Daily Attendance (ADA.). Reimbursement to districts under the High Need Fund for qualifying students is made without regard to disability or placement. **Costs for serving students covered by the Public Placement Fund (PPF) are not covered by the High Need Fund since those excess costs are reimbursed under the PPF fund.**

Prior to the implementation of the High Need Fund, the Extraordinary Cost Fund (ECF) was implemented (in 1998) for the purpose of assisting LEA’s in addressing the needs of high need children with disabilities. Individual school districts could access the ECF when serving children with disabilities whose educational costs exceeded five times (5x) the district’s Current Expenditure per Pupil.

With the passage of IDEA, 2004, the State Education Agency’s (SEA) ability to access the full Part B federal grant was tied to the use of 10% of the amount of funds reserved for “other State-level activities” dedicated to districts serving high need children.

Two options are available to SEA’s in use of these funds: (1) To finance and make disbursements to LEA’s for expenditures related to high cost children, and/or (2) Support innovative and effective ways of cost sharing (no more than 5% of the funds) by the state, by an LEA or among a consortium of LEA’s with the caveat that none of the funds so reserved may be used to establish, support or administer the fund.

Missouri has elected to participate in the high need program and elects annually to commit a minimum of 10% of the amount of funds reserved for “other State-level activities” for this purpose. The state typically commits slightly more than 10% for this purpose. Option 2 is not utilized.

The SEA is required to:

1. Develop, not later than 90 days after the state reserves funds for the high need program, a state plan for the operation of the high cost fund (referred to as the High Need Fund [HNF] in Missouri). The basic state plan was implemented in 1998 prior to the requirement for a plan and was reviewed annually and amended/modified as necessary over the years. In 2005, the state legislature passed Senate Bill 287 which included a provision requiring the state to fund and operate a state funded “high need fund” to address the needs of school districts educating children with disabilities whose educational costs exceed three times (3x) the district’s Current Expenditure per ADA. IDEA 2004 provided a definition of a high need child but also allowed states with a high need program created no later than January 1, 2004 (and current in operation) to utilize that existing criteria in place of the definition found in 300.704 (c) (3)(i)(A)(2).

Missouri has elected to utilize the criteria in the existing ECF fund for the federal portion (above 5x the CEPP) of the state's High Need Fund.

- a. The state plan for the high need program was developed during the legislative process leading up to the passage of SB 287 in consultation and coordination with a group of school districts and advocates during a series of meetings to gain LEA support as well as establish the threshold for implementation (3x CEPP) to support passage of SB 287. Currently state statute defines the operation of the state's High Need Fund, of which a portion is paid with Part B funds.
- b. The High Need Fund (Section 162.974, RSMo.) addresses the financial impact a high need child with a disability has on the budget of an LEA by mandating reimbursement to all school districts including special school districts for the educational costs of high need children with an IEP.
- c. The High Need Fund (Section 162.974, RSMo.) requires that the cost of the high need child is greater than 3 times the average per pupil expenditure before a district may access the fund.
- d. The High Need Fund (Section 162.974, RSMo.) establishes eligibility criteria for the participation of an LEA that takes into account the number and percentages of high need children with disabilities served by an LEA. The Missouri HNF does not look at percentage or number of high need children but rather requires the fund to reimburse a district for the costs exceeding the statutory threshold for all children with IEP related educational costs.
- e. The SEA ensures that that placements supported by the fund are consistent with the requirements established by IDEA 2004 through ongoing required monitoring of special education programs across the state.
- f. The High Need Fund (Section 162.974, RSMo.) establishes a funding mechanism that provides distributions each fiscal year to LEA's that meet the criteria developed by the state. The funding mechanism is tied to the identification of eligible costs by eligible child reaching a statutory threshold. An annual state appropriation is provided specifically for this purpose. Slightly more than 90% of the HNF is state funded.
- g. The High Need Fund (Section 162.974, RSMo.) establishes an annual schedule by which the SEA must make program distributions. The State statute requires the annual reimbursement of appropriate expenditures based on a timely application by the LEA on a schedule as determined by the SEA. The application due date is January 15 for expenditures incurred in the prior school year. The application deadline is based on the submission and final clearance of the district's annual financial report to

the Department which is the basis for the expenditure per pupil calculation.

- h. The SEA does not elect to reserve any portion of the high need funds for supporting innovative and effective ways of cost sharing as described in IDEA 2004. All funds in the state's High Need Fund will be used to reimburse expenditures for high cost children at the school district level.
- i. The SEA will make all annual payments under the High Need Fund in accordance with this plan.
- j. Reimbursable Costs: All costs associated with educating a high need child with a disability as defined in IDEA 2004 and associated with providing direct and related services to a child as defined in the child's IEP, including the cost of room and board for a residential placement.
- k. Non-Reimbursable Costs: Expenditures supporting legal fees, court costs or other costs associated with a cause of action brought on behalf of a child with a disability to ensure FAPE for the child. Disbursements under this fund will not be used to pay costs that otherwise would be reimbursed under the State Medicaid program under Section XIX of the Social Security Act.
- l. The SEA will not establish a limit on the amount of expenditure used to educate a child with a disability.
- m. The SEA declares that the Extraordinary Cost Fund (in existence since 1998 to meet the high cost needs of school districts providing a placement neutral cost sharing and reimbursement program of high need, low incidence, catastrophic, or extraordinary aid to LEA's based on a state established eligibility criteria) meets the federal definition of a high need fund created no later than January 1, 2004. The SEA utilizes the criteria found in this pre-existing program instead of the eligibility criteria found in 300.704(c) of IDEA 2004.
- n. Federal funds reserved for the High Need Fund but not expended for this purpose before the beginning of their last year of availability for obligation will be allocated to the LEA's in the same manner as other flow-through funds are allocated to the LEA's.

Purpose

The High Need Fund was established pursuant to Section 162.974, RSMo, to provide funding support for districts with "High Need Students." These students are special education students whose educational costs exceed three times (3x) the district's current expenditure per Average Daily Attendance (ADA.). Reimbursement to districts under the High Need Fund for qualifying students is made without regard to disability or

placement. **Costs for serving students covered by the Public Placement Fund are not covered by the High Need Fund since those excess costs are reimbursed under that fund.**

Costs are reported and reimbursed in the current school year for services provided during the prior school year. For example, expenses incurred during the 2006-07 school year will be submitted and paid during the 2007-08 school year. Reimbursement is only for the costs in excess of the 3x calculation.

In addition to this new state funding for high need students, the reauthorization of IDEA in 2004 provides for additional federal funding for students meeting the federal definition for a High Cost Fund risk pool. In states where a High Cost Fund was already in place, such as Missouri's "Extraordinary Cost Fund (ECF)," the ECF rule will continue with some federal funding. This means that a district could receive a portion of funding for high need students from both state and federal sources. Payment receipts into the district from the High Need Fund should be coded as follows:

Revenue Code 5381 - Sp Ed High Need Fund - State
Revenue Code 5441 - Sp Ed High Need Fund- Federal

Reimbursement Request

Districts must apply for the High Need Fund on the DESE provided electronic application. The submission date for the application is January 15, 2008 to allow for the most accurate and timely Annual Secretary of the Board Report (ASBR) district expenditure data. Applications must be completed and submitted electronically to webreplyspedfm@desemo.gov. The application is for expenditures incurred in the 2006-07 school year. Upon approval of the application, reimbursement is anticipated to be paid in April of 2008.

Reimbursement Methodology

Reimbursement from the High Need Fund is based on the district paying all costs up to three times (3x) the district's Current Expenditure per ADA. Districts having students with special educational costs exceeding the 3x threshold may access this fund. See example below:

| | |
|--|--------------------------------|
| Total Educational Costs for Student: | \$32,000 |
| District Current Expenditure per ADA Amount: | \$6,500 |
| 3x Current Expenditure per ADA | \$19,500 |
| District Responsibility | \$19,500 |
| High Need Fund Reimbursement | \$12,500 (\$32,000 - \$19,500) |

Current Expenditure per ADA

The Expenditure per ADA can be found on the district's Annual Secretary of the Board Report (ASBR) (the year in which the costs were incurred). Districts must wait until the ASBR is approved by School Finance before using the calculated Current Expenditure per ADA amount on the High Need Fund application. The expenditure per ADA is available to individual districts as the ASBR is finalized by School Finance. DESE will provide this number to all districts.

Students who may Trigger the Fund

Any student with a disability whose educational costs exceed 3x the Current Expenditure per ADA triggers the school district's eligibility for the fund, except for students whose costs are covered by the Public Placement fund.

Financial Records

The district must maintain financial expenditures for individual students throughout the year. The following categories must be reported on the High Need Fund application by each student:

- Instructional Costs
- IEP Related Services
- Transportation* (may require supporting documentation under certain circumstances)
- Contractual Services/Tuition
- Assistive Technology
- Other* (must include description for any costs reported under this category)

Fiscal Monitoring

DESE will randomly monitor 10% of all applying districts each fiscal year. Districts must maintain and be able to provide documentation relating to the expenditures claimed on the High Need Fund application. If documentation cannot be provided to the SEA supporting HNF expenditures during the fiscal monitoring review, the reimbursement amount will be adjusted based on the documentation provided.

Application Instructions

The application may be downloaded from the Funds Management website at: <http://www.dese.mo.gov/divspeced/Finance/HighNeedIndex.html>. There are several versions of the application; the district should choose the one that best fits depending on the number of students involved in the reimbursement request. They are:

- Up to 25 students
- Up to 50 students

- Up to 100 students
- Up to 150 students
- Up to 200 students
- Up to 300 students
- Up to 400 students
- Up to 500 students
- Districts with more than 500 students should complete two separate applications.

The application is divided into seven sections as listed below. Data entry is required in all areas except those shaded in gray. Gray shaded areas contain formulas which automatically calculate specific totals. The application must be completed electronically for this feature to work.

- District Information
- Current Expenditure per ADA Amounts
- Directions
- Student Information
- Cost/Expenditure Information
- Description
- Signature

DISTRICT INFORMATION SECTION

Enter the district name, county district code, address, district contact person, phone number, and email address in this section.

Enter the Current Expenditure per ADA amount as calculated on the district's Annual Secretary of the Board Report (ASBR). The district should not report this amount until School Finance has given final approval of the ASBR, or the Division indicates the data is ready.

SUBMISSION INSTRUCTIONS

This section of the application provides general instructions and clarification of the types of costs which may be included in each of the cost categories. The application must be completed and submitted electronically to webreplyspefm@dese.mo.gov on or before January 15, 2008. A confirmation of receipt will be sent to districts.

CO-OP SUBMISSION INSTRUCTIONS

Cooperatives may not apply for High Need Fund reimbursement. Districts participating in Cooperatives must apply for the High Need Fund for their own students using the district's Current Expenditure per ADA. Districts may need to work closely with the Cooperative to determine the educational costs for each

student as well as necessary agreements to reimburse those costs to the coop. **The Division will not accept applications submitted by the co-op.**

STUDENT INFORMATION

Enter the Last, First Name, assigned MOSIS student ID number and date of birth for each student on the application. Please list the students in alphabetical order.

MEDICAID BILLING

The district must indicate if it billed Medicaid for reimbursement on Occupational, Speech, and/or Physical Therapy for the student. This will allow the SEA to ensure that monies paid under the High Need Fund are drawn from the appropriate fund source –See 300.704.

COST/EXPENDITURE INFORMATION

The five categories in which a district may claim reimbursement are: Instructional costs, Related Services, Transportation, Tuition, Assistive Technology, and Other Expenditures. All expenditures reported on the application must be directly related to the student's education and supported by the student's Individualized Education Program (IEP). All expenditures not specifically allocated to an individual student, such as general education classroom participation must be prorated based on the number of students served.

Salaries of Special Education Directors and Administrators should not be claimed on the application as expenditures unless one-on-one time was spent with the student providing educational services. **IDEA does not allow expenditures for legal fees, court costs, or other costs associated with a course of action on a student with a disability. IDEA also does not allow expenditures for medical assistance for a child with a disability that are reimbursed under the State Medicaid program.** Each cost category section is discussed in further detail below.

INSTRUCTIONAL COSTS

Instructional Costs may include Teachers (Regular and Special Education), Paraprofessionals, Interpreters and others as appropriate. Examples for calculating/prorating the cost of instructional staff for a particular student follows:

Example I: Self Contained

Teacher's salary plus benefits divided by the number of students in the class, and then prorated by the amount of time the student spends in the classroom.

$$\$45,000 \text{ salary and benefits} / 8 \text{ students} = \mathbf{\$5,625} \text{ per student}$$

A student that only spends 75% of their day in this classroom would be prorated as follows:

$$\$5,625 * 75\% = \mathbf{\$4,218.75} \text{ per student}$$

Example II: Itinerant

Teacher's salary plus benefits multiplied by the percentage of time the student spends in classroom during the day, then divide by the number of students present during that percentage of time.

$$\$45,000 * 25\% \text{ of the day} / 3 \text{ students} = \mathbf{\$3,750} \text{ per student}$$

Example III: Elementary Classroom Teacher

Teacher's salary plus benefits divided by the number of students in the class, and then prorated by the amount of time the student spends in the classroom.

$$\$45,000 / 20 \text{ students} = \$2,250 \text{ per student} * 50\% \text{ of the day} = \mathbf{\$1,125}$$

$$\$45,000 / 20 \text{ students} = \$2,250 \text{ per student} * 1 \text{ out of 6 periods} = \mathbf{\$375}$$

Example IV: Elementary Non-Academic Classes (Art, Music, P.E.)

Teacher's salary plus benefits divided by the total number of students the teacher sees each week.

$$\$45,000 / 300 \text{ students per week} = \mathbf{\$150} \text{ per student}$$

Example V: High/Middle School Departmentalized for Regular Education

Teacher's salary plus benefits divided by the total number of students the teacher sees per day.

$$\$45,000 / 100 \text{ students per day} = \mathbf{\$450} \text{ per student}$$

RELATED SERVICES

Costs in the Related Services category may include, but are not limited to: Occupational Therapy, Speech Therapy, Physical Therapy, Orientation and Mobility, Braille Instruction, Counseling, ABA consulting, etc. Examples for calculating/prorating the cost of related services for a particular student follow:

Example I

A Speech Therapist has a total of 1800 minutes per week of therapy time with students. The salary and benefits total \$60,000. The therapist spends 60 minutes per week with Alex. In order to determine the portion of cost for Alex, use the following calculation:

$$60 \text{ minutes} / 1800 \text{ minutes} = 3 \%$$

$$3 \% * \$60,000 = \mathbf{\$1,800} \text{ per student}$$

If seen in a group session, prorate by number of students.

$$\$1,800 / 3 \text{ students} = \mathbf{\$600} \text{ per student}$$

Example II

An Occupational Therapist is paid by an hourly rate of \$35 per hour. The therapist spends 20 minutes per week with one student. There are 36 weeks in the school year.

In order to determine the portion of cost for the individual student, use the following calculation:

20 minutes * 36 weeks = 720 minutes per year

720 minutes / 60 minutes = 12 hours

12 hours * \$35 = **\$420** per student

If seen in a group, prorate by the number of students.

\$420 / 2 students = **\$210** per student

Example III

The district contracts with an ABA consultant to provide services for three students. The contracted rate is \$1,800 per month. In order to determine the portion of cost for one student, use the following calculation:

\$1,800 * 9 months (or actual # of months of service) = \$16,200 per year

\$16,200 per year / 3 students = **\$5,400** per student per year

TRANSPORTATION COSTS

Costs in the Transportation category are typically for district operated regular bus routes, district operated routes for students with disabilities, individualized routes, cabs, contractual, and/or Parent reimbursement.

Example I

Student rides an individualized route. This may include: Bus, Cab, Contractual, and/or Parent Reimbursement. Actual costs for these routes should be reported on the application.

Example II

Student rides a district operated route for students with disabilities. Use Line 50 from the BU110 School Transportation Aid Formula Sheet. Report this amount as the cost on the application.

Example III

Student rides a district operated regular bus route. Use Line 37 from the BU110 School Transportation Aid Formula Sheet. Report this amount as the cost on the application.

TUITION COSTS/COOPERATIVE COSTS

Costs in the Tuition category would include tuition to approved Private Agencies or other districts/cooperatives. The districts should report the actual cost from the invoices received on the student.

Example I: Private Agency or Other School District

Cost per day multiplied by the number of days in attendance.

\$80 per day * 162 days of attendance = **\$12,960** per year

Cost per month * number of months enrolled.

\$2,000 per month * 9 months enrolled = **\$18,000** per year

ASSISTIVE TECHNOLOGY (AT) COSTS

The assistive technology category may include, but are not limited to: Harnesses, Braille Writer, Speech to Text Software, Computers, etc. The districts will report the actual cost from the invoices received on the student. However, if the equipment is shared between students, it must be prorated. See example below.

Example I

A Lifting Harness is utilized by 2 students. The cost of the harness was \$6,300.

\$6,300 / 2 students = **\$3,150** per student

OTHER / DESCRIPTION COSTS

This category is for all other educational costs that are associated with implementing the student's IEP. The district must include a description in the lines provided at the end of the application for any costs reported under this category. These costs are subject to DESE approval. Legal fees are not an approved expenditure under the IDEA requirements.

TOTAL COSTS

The Total Cost column on the application will automatically calculate based upon the information entered in the previous columns. The "3x Amount" and the "Requested Amount" will automatically calculate based upon the information entered in the previous columns. All three columns are for DESE USE ONLY.

ASSURANCE STATEMENT

The assurance statement box must be checked and the Superintendent's name typed in the indicated area, certifying that the Superintendent agrees with the following statement:

The Superintendent assures that the expenditures listed herein have been made solely on behalf of these students and that they are accurate to the best of his/her knowledge. Documentation must be maintained in the district for 3 years after the reimbursement date. The district is subject to fiscal monitoring on a yearly basis of all documentation used to support the expenditures reported on the HNF application. It is understood that requested reimbursement amounts unsupported by appropriate documentation may be adjusted.

PUBLIC COMMENT FORM

The Division of Special Education allows public input on the structure of the High Need Fund. Please complete the form below with any comments, concerns, or suggestions regarding the fund, and return to:

DESE – Special Education
Attn: Shelley Witherbee
PO Box 480
Jefferson City, MO 65102

Name (Optional):

Phone Number (Optional):

Residing School District:

Comments/ Concerns/ Suggestions:

FREQUENTLY ASKED QUESTIONS AND ANSWERS

1. This application does not require a lot of detailed expenditure documentation. Must I keep the back-up expenditure documentation?

ANSWER: Yes, the district must keep all supporting documentation and calculations used to determine costs for the High Need Fund for a period of three (3) school years from the date of reimbursement of the High Need Funds. DESE reserves the right to review this documentation at any time and make adjustments to the HNF calculation/reimbursement.

2. What will happen if I fail to keep copies of documentation used to support HNF calculations?

ANSWER: If the documentation is not available for review during the three year period as outlined above, the assumption will be made that the costs cannot be supported for that year. An adjustment may be made to reduce a current year reimbursement equal to an amount that cannot be supported by documentation.

3. How should release time for professional development and substitute teacher costs be reflected on the HNF application?

ANSWER: These costs are typically not IEP related costs but are costs the district normally assumes as an operating cost and would therefore not be applicable to this application. If the students IEP requires specific teacher to receive professional development to accomplish the IEP goals, the costs associated with this training should be listed in "Other" and detail information provided.

4. Should support and related services expenditures be listed as related services or instructional?

ANSWER: This depends on how the IEP describes the needed services. If the IEP requires these services as a related service, then the costs should be listed as a related service. If the IEP does not specifically define the need for "related services," then it is likely appropriate to enter these costs in the instructional category.

5. Can we claim as an expense, warranties on assistive technology equipment and if so, where should these costs be entered?

ANSWER: Warranty and required maintenance costs for IEP specified assistive technology should be shown as an assistive technology expenditure.

6. There are times when Community Based Instruction (CBI) is utilized. Where should this expenditure be shown?

ANSWER: This depends on whether or not the IEP describes this as specialized instruction, in which case it would be considered an instructional cost, or whether the IEP describes this as a related service. In this case, the costs associated with CBI would be shown as a related service.

7. Many of our special education children do not generate enough costs on an expenditure per ADA basis to allow our district to access the HNF. This does not provide much help to the district.

ANSWER: The HNF was never intended to provide reimbursement to a district for all special education students. This fund was designed to be a “safety net” for districts for those extremely high cost children. The HNF protects districts from the very high costs associated with some students. Districts are responsible for all costs up to 3 x the current expenditure per ADA using federal, other state aid and local revenues.

8. Should nursing services be reflected as a related service or other on the HNF application?

ANSWER: Again, this depends on how this service is described in the IEP.

9. Can we claim the cost of a bus if it is required to transport a special needs student?

ANSWER: No, a school bus is a part of the district’s bus fleet and is an amortized cost which is considered an allowable cost for state transportation aid reimbursement.

10. Can we apply for reimbursement through both the Excess Costs for Public Placement and High Need Fund if we have a student qualifying for both funds?

ANSWER: No, the district may access only one fund per student.

11. Can we allocate a portion of facility costs (building/utilities/insurance/maintenance and upkeep, etc) to the cost of these special education students in the HNF?

ANSWER: No, these are infrastructure costs related to the cost of doing business. Only the costs related to the educational services of these special education children may be claimed under the HNF.

12. Where do we find the Current Expenditure per ADA amount?

ANSWER: DESE will provide this figure through SELS and web-posting for each district mid-January. In the meantime, the districts may start to enter costs on the application.

13. If the Current Expenditure per ADA isn't provided until January, how will I know which students meet this amount?

ANSWER: Typically, the Current Expenditure per ADA does not fluctuate a great deal from year to year. Most ASBR Data is finalized by November.

14. How does the district know which students to target for the fund?

ANSWER: Students whose educational costs may exceed 3 times the Current Expenditure per ADA may include, but are not limited to those students who meet the following criteria:

- *Students who have previously been eligible for the SIF, ECF, SDSF and SHCPR funds*
- *Students in contractual placements*
- *Students with a Personal Aide/Interpreters*
- *Students with a large amount of Related Services*
- *Students with private nurses*